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Ollie North's Secret Network

The Tower commission and exclusive reporting by a team of Newsweek correspondents shed light on the shadow government of North and his field marshal, Richard Secord. They spent millions and undermined the policies of the United States

There were five passengers on the Lockheed JetStar as it took off from Washington's National Airport on the long flight to Central America. One was John Piowaty, 51, a veteran fighter jock from Destin, Fla. Piowaty and one of his fellow passengers, a cargo handler named Jim Steveson, had just been hired to fly hush-hush missions over Nicaragua by a retired Air Force colonel named Richard Gadd; Gadd was on the plane too. "Gadd told me there would be some people on board and if I recognized them, I *didn't* recognize them," Piowaty recalls. But Piowaty quickly saw a man he knew sitting across the aisle: Richard Secord, a former Air Force general whom Piowaty had met—and instantly disliked—at a banquet years before. Secord gave Piowaty a curt nod and looked away. Secord and Gadd then began a lengthy conference with the other man on the plane. Thinking back to the flight, Piowaty is all but certain the fifth passenger was Oliver North.

North and Secord, Secord and North: the two musketeers of Ronald Reagan's secret foreign policy. If it was sometimes hard to tell which partner was running the show, it is now entirely clear that together North and Secord conceived, organized and managed the astonishingly complex scheme that lies behind the Iran-Nicaragua scandal. They created a network of Swiss bank accounts, shell corporations and covert-operations teams that spent tens of millions of dollars, provided hundreds of tons of weapons for the contra insurgency and left a web of shadowy transactions that may never be fully explained. They did business behind the Iron Curtain, in the Middle East, in Central America and Europe, conducted their own diplomacy and pushed the U.S. government into actions that undermined its own policies and credibility. They were, in effect, their own Central Intelligence Agency. "We are now under way with getting [an Iranian contact] aboard a chartered jet out of Istanbul," North reported to his boss, national-security

adviser John Poindexter, in September 1986. "CIA could not produce an aircraft on such 'short notice,' so Dick has chartered the [plane] through one of [the network's] overseas companies. Why Dick can do something in 5 min. that the CIA cannot do in two days is beyond me—but he does."

North's role emerges vividly in the Tower commission report. He was passionate, dedicated and frenetically active in the contra cause; he was also, it seems, enraptured by the naive hope that the Beirut hostages would soon be freed. The commission report reprints his projected schedule for a climactic series of events that would begin, in January 1986, with an air shipment of U.S. weapons to Iran, proceed with the release of the hostages in Lebanon and lead to the Ayatollah Ruhollah Khomeini's stepping down as spiritual leader of the Islamic Republic of Iran. The plan was visionary, almost delusional, but its globe-straddling logistics were laid out in painstaking detail—and Secord, designated by the pseudonym "Copp," was to be a key player at every step. "A man of many talents, 'ol Secord is," North wrote former national-security adviser Robert McFarlane—and at another juncture he half-seriously proposed giving Secord a medal.

Contra country: North seemed heedless of diplomatic niceties. According to the Tower commission report, he told his Iranian contacts that President Reagan wanted to oust the president of Iraq, Saddam Hussein, from office—a statement with explosive implications for U.S. neutrality in the Iran-Iraq war, and one that Reagan himself later claimed was "absolute fiction." In May 1986 North told Poindexter the contras were launching an offensive aimed at capturing a major population center in Nicaragua and declaring independence from the Sandinista government. He suggested the United States should come to the contras' aid and hinted that it should recognize the new "territory." Elliott Abrams, assistant secretary of state for inter-American affairs, admitted to the Tow-

er commission that he may have supported North at the time. But Abrams said North's idea was "totally implausible."

Another of North's intrusions into U.S. foreign policy came closer to fruition. That was his attempt to prevent the president of Costa Rica, Oscar Arias Sánchez, from publicizing a secret contra-resupply airstrip at Santa Elena, near the Nicaraguan border. According to the Tower commission report, North said he had pushed for a tough line—a threat to withhold U.S. aid to Costa Rica—in discussing tactics with other U.S. officials. "I recognize that I was well beyond my charter in dealing w/a head of state this way and in making threats/offers that may be impossible to deliver," he told Poindexter through the NSC computer system. "You did the right thing, but let's try to keep it quiet," Poindexter wrote back. The Arias government subsequently announced the discovery and closure of the airstrip. Last week an embarrassed Arias denied that he or his government had ever received such a threat from U.S. officials.

As the Tower commission reports, Project Democracy was North's code name for the covert network he and Secord built to supply arms to the contras after Congress cut off U.S. military aid in 1984. Project Recovery was the code name for the Iranian arms negotiations; the name implied its real objective, which was to rescue American hostages being held by Shiite terrorists in Lebanon. In practice, the two projects merged after North, who was the contra "case officer" within the National Security Council staff, also took on primary responsibility for the Iranian arms deal in the fall of 1985. Project Democracy, or PRODEM, was conducted in deepest secrecy to evade

Continued



ARTHUR GRACE—NEWSWEEK



LARRY DOWNING—NEWSWEEK

On top of a world: Mr. Outside, General Secord; Mr. Inside, the NSC's North; Fawn Hall, secretary with immunity

congressional restrictions on U.S. government support for the contras; as the Tower commission concludes, "Congress may have been actively misled." Project Recovery was equally secret because of the inflammatory nature of what North and Secord were doing—bartering for hostages with a government that the United States and its allies had every reason to believe was deeply involved in supporting terrorism. And the nexus between the two was the biggest secret of all—the still unproved allegation, first made by Attorney General Edwin Meese III, that up to \$30 million in Iranian arms-sale proceeds were diverted to support the contras in their time of need.

How all that was done is the stuff of a real-world spy thriller—even if, as the Tower commission was forced to conclude, the truth about the Iran-contra "money trail" is still unknown. North and Secord declined to testify before the commission, and neither has told his story to the public. But

the Tower report provides a stunning inside view of their operation. NEWSWEEK's own reporting, conducted by a team of more than a dozen correspondents over the past three months, tells the rest of the story. It suggests that the roots of the North-Secord network can be traced back 25 years, to the CIA's plots against Fidel Castro and its secret war in Laos (chart, page 34). It demonstrates that North relied on a cabal of covert operators whose bona fides were open to question—a former CIA agent known for his womanizing and dubious business dealings, a gun-happy Cuban exile, a mysterious Iranian-American with a knack for hiding money. Even Secord, who as a private citizen was entrusted with extraordinary authority by North and his superiors, had a shadow over his past: by his own account, his Air Force career had been ruined by suspicions that he had held an undisclosed interest in a company fined for overcharging on Pentagon contracts.

Indeed, the network's checkered past is one aspect of the Iran-contra affair that confounds even the most sympathetic observers—and the fear that some participants were mixing patriotism with a yen for outsize profits is a theme that crops up in the Tower commission's report. Secord and North's reliance on compartmentalized organization and layers of corporate fronts is drawn from the methodology of CIA covert ops—and the network's genealogy, if that is the word, leads directly to one of the CIA's most notorious black

sheep, Edwin Wilson. Wilson is the renegade officer who amassed a fortune after his ouster from the agency by, among other things, selling munitions and paramilitary expertise to Muammar Kadhafi; he is now serving a 52-year sentence in a federal prison in Marion, Ill. "If I wasn't in jail," he told NEWSWEEK, "I'd have headed up this operation."

In the CIA Wilson was a specialist in setting up corporate covers for covert purposes—and once in private life he turned his special skill to making money. By the early '70s he had acquired Mount Airy Farms, a lavish estate in the Virginia hunt country not far from Washington where he used to entertain his government friends. Secord was a regular visitor. So were Theodore Shackley and Thomas Clines, two veteran CIA men who

would later be shuffled out of the agency during the Carter administration. Clines had worked for Shackley in Miami and Laos. Secord, another veteran of the war in Laos, cemented his friendship with Clines during their days at the Naval War College in Newport, R.I. They came out to Mount Airy and, while their kids played with the horses, the men sat around drinking beer and enjoying Wilson's lifestyle. Wilson says his guests were probably thinking, "Look, here's this stupid Wilson and he's got this big farm. If he can do it, we can do it, too."

The partners: EATSCO—the Egyptian American Transport & Services Corp.—came next. EATSCO was a freight company set up by Clines and an Egyptian partner to ferry U.S. weapons to Egypt in the wake of the Camp David accords. In 1982, its billing practices led to a federal investigation; the company and its president paid \$3 million in civil claims and fines to the U.S. government. Wilson says Clines, who was never charged in the case, started EATSCO with some of his money. He also says Shackley, Secord and Erich von Marbod, Secord's superior at the Pentagon, were silent partners in the firm. All of them have denied Wilson's allegation. But Secord realized the scandal meant the end of his hopes of winning another promotion, and in 1983 he retired from the Air Force.

It must have been traumatic—for Secord, who by then had risen to become a deputy assistant secretary of defense, had always been a ferociously ambitious man. "Not a personality kid," says retired Gen. Harry (Heine) Aderholt, Secord's commander in Southeast Asia. "But he's a



GERT JENSEN

The Erria: Months of mysterious cargoes and even more mysterious voyages

smart son of a bitch [and] the best goddam officer I ever had. The people who worked for him loved him. The people he dealt with hated him." Secord graduated from West Point in 1955 and chose an Air Force commission: his career path took him to the war in Laos, Thailand and to prerevolutionary Iran, where he headed a U.S. Air Force military assistance group to the shah. It was in Teheran, during the 1970s, that he met Albert Hakim, an Iranian émigré whose California company, Stanford Technology Corp., was trying to sell security equipment to the Iranian armed forces.* In 1983 Secord and Hakim became partners in a Virginia-based affiliate called Stanford Technology Trading Group International—and the key players of what became the Project Democracy network were in place.

Two documents published in the Tower commission report suggest the complexity of the North-Secord network. Discovered by investigators in North's White House safe, they are crudely drawn charts listing

*The Tower commission report contains a startling allegation about Hakim from Manucher Ghorbanifar, the middleman for most of the Reagan administration's dealings with Iran. Hakim, Ghorbanifar said, "works, is operating for CIA. He was operating against [Iran] in 1980 and 1981... in the form of companies... making trouble for [Iran] in the Turkish border [region]." The commission did not confirm Ghorbanifar's claim—but also did not rebut it.

more than 20 different corporations and organizations. Some, like Lake Resources, Inc., are depicted as financial conduits; U.S. Justice Department investigators have been trying for months to get information on a Lake Resources Swiss bank account controlled by Secord. Others, like Udall Research, are shown as operating companies: Udall Research built the secret Costa Rican landing strip for use in the contra-resupply operation. One chart divides the countries by region—South America, Middle East and Africa. The other divides them by function: "Resource Development," "Financial Management," and "OP Arms" (operations and arms).

The operation was actually simpler than the charts would suggest. To judge by the Tower commission's evidence, Secord and North jointly oversaw the whole thing. Among other details, the commission revealed that in early 1986 North obtained 15 "encryption devices"—probably a type of lap-top computer known as a Grid Compass—from the National Security Agency for use as a secret communications system. Secord got one, and so did a CIA officer in Costa Rica; the commission report does not say who got the others. According to the report, Secord sent messages to North asking where and when to make airdrops to the contras, informing him of the contras' armament needs and informing him of pay-

ments, balances and deficits. "Re L-100 drop to Blackies troops," one such message says, "emphasize we ought to drop something besides 7.62 [ammunition]; e.g., grenades, medical supplies, etc."

Other network members performed subordinate roles. Richard Gadd and Robert Dutton, who retired from the Air Force last year, managed many of the operational details, including the creation of the contra-resupply airline that flew out of Ilopango air base in El Salvador. (Congressional investigators last week conferred immunity on Dutton in order to get him to testify. Another figure in the scandal, Edward de Garay, got immunity as well; de Garay owns an air-charter company that, on paper at least, employed Piowaty and the other members of the resupply operation's flight crews.) Albert Hakim, working through a Geneva-based financial-services corporation, handled the money. And Clines, a flamboyant free-lance who seems oddly out of place among this buttoned-up collection of former military men, was apparently in charge of buying the weapons.

Rolling in money: Wilson described Clines as "a playboy" and "a pain in the ass," but there is little question that the ex-CIA agent was an expert in the twilight world of covert ops. One woman friend—Clines seems to have had many—told a South Carolina court that Clines was working with

Family Ties: How the North Operatives Came to Know One Another

1961 - 1963

Operation Mongoose

In Miami



Shackley



Wilson



Clines



Quintero



Rodríguez

Following the Bay of Pigs fiasco, Theodore Shackley, as Miami station chief, and Thomas Clines, reporting to him, are ordered to carry out covert CIA operations against Fidel Castro, including a plan to assassinate him with an exploding cigar. Field men include Cuban exiles Rafael Quintero and Félix Rodríguez, later known as Max Gómez. Edwin Wilson, a junior CIA officer, reportedly meets Shackley here.

1965

CIA Companies

In Washington



Clines



Wilson

Under Clines's supervision, Wilson is authorized by the CIA to set up dummy companies that provide logistical support for the secret U.S. involvement in the war in Laos.

1967 - 1969

The Secret War

In Southeast Asia



Shackley



Secord



Clines



Rodríguez

Shackley becomes the CIA station chief in Laos and runs the secret war there. Clines and Rodríguez work for him. In Thailand, Air Force officer Richard Secord schedules covert flights using pilots who will later fly for him in Central America.

1974 - 1979

Iran Connection

In Teheran



Secord



Wilson



Dutton



Hakim

Secord and Robert Dutton, a U.S. Air Force officer, are appointed official U.S. advisers to the Iranian Air Force. Wilson (gone from the CIA) and Albert Hakim privately compete to supply Iran arms. It is in Teheran that they become well acquainted.

Continued



Mystery men

Secord's pal Clines (left) and his Iranian business partner Hakim

the National Security Council in 1985. Another, Shirley Brill, told **NEWSWEEK** that she and Clines and a longtime CIA sidekick, Rafael (Chi-Chi) Quintero, were an inseparable threesome during mysterious trips to Europe. Brill, interviewed in the presence of her lawyer, Greta van Susteren, recounted experiences that seemed to antedate the active phase of the North-Secord network but that still revealed

much about three key players. On one trip to Geneva in 1979, Brill said, Clines and Quintero brought a suitcase full of money back from a bank. "They took it back to the hotel and spread it out on the bed," Brill said. Then they "got up on it, lay down and counted it, played with it. It was more money than I've ever seen in my life."

Quintero, a Cuban exile and veteran contract agent with the CIA, wound up at Ilo-

pango air base in 1986, where he coordinated flight plans for the contra-resupply operation. Another Cuban with a long history of working for the CIA, Félix Rodríguez, went by the nom de guerre of Max Gómez and handled liaison with the Salvadoran military. (Rodríguez was invited to the White House for a meeting with Vice President George Bush—a fact that Brill seemed to regard as ironic.) The pilots regarded both men as tough hombres; Brill said she accompanied Clines, Quintero and Rodríguez on wild hijinks around Miami in the late '70s. Rodríguez "always carried a concealed weapon," she said, and liked to shoot out street lights for fun. "Then he'd call the police," she said, "and tell them... 'I'll pay for it tomorrow'."

'This is Shirley': She and Clines met Ollie North at least once, Brill said. The encounter occurred in a Washington-area night-spot several years ago. Clines told her to "go to the ladies' room and stay there for half an hour" while he and North talked. On other occasions, she said, Clines had her place phone calls to North. "Tom would dial the number and say [to me], 'Ask for so-and-so' because he didn't want anyone to recognize his voice," Brill said. "When I said [this is] Shirley, that automatically put [the call] through." On one occasion, she said, she placed a call for Clines to Defense Secretary Caspar Weinberger

1980

After Desert I In Washington



Secord

North

After the mission to rescue the Iran hostages fails, Secord and North help plan a second effort that was never implemented.

1981

AWACS Sale In Washington



Secord

North

Secord and North go public to win congressional approval of a sale of advanced planes to Saudi Arabia.

1982 - 1984

Old Boy Network In the United States



Secord

Hakim

Secord retires from the Air Force and forms a partnership with Hakim. At first their company unsuccessfully seeks U.S. government engineering contracts, then fails to land construction contracts from Abu Dhabi, Egypt and Saudi Arabia.

1985 - 1986

Iran-contra Affair Worldwide



North

Secord

Hakim



Dutton

Gadd

Clines

Egypt Arms Deal

In Washington and Cairo



Clines

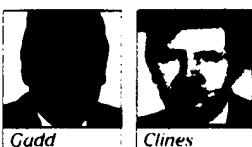
Wilson

Secord

Shacklev

Clines becomes partner in EATSCO, a company later found to have overcharged the United States for shipping arms to Egypt. Wilson, a silent partner, alleges that Secord and Shacklev were also involved. The Justice Department investigates; neither is ever charged. In 1982 Wilson is jailed for shipping arms to Kaddafi.

Private Business



Gadd

Clines

Richard Gadd retires from the Air Force, sets up several companies that work with firms owned by Secord and Hakim; Clines works with Secord and a Portuguese arms company gathering weapons for contras.



Rodriguez

Quintero

North, Secord and Hakim set up a program to help the contras and are suspected of diverting profits from the Iran arms sales. Clines, Gadd, Dutton, Quintero and Rodríguez set up logistics to get weapons to contras.

Continued

Fifteen of the shipments were made by air, and at least three went out of Lisbon aboard Southern Air Transport planes, according to airport sources. SAT, an air-freight carrier based in Miami, is a former CIA proprietary company and carried several loads of U.S. weapons to Iran when North and Secord launched Operation Recovery; it, too, appears on the network chart from North's safe.

The other two shipments of arms for the contras went out by ship—and therein hangs a tale. Sometime in the spring of 1985 the network chartered a small Danish freighter called the *Erria*. The ship sailed from Setubal, Portugal, for Gdansk, Poland, where it picked up a partial load of East-bloc automatic weapons. It then returned to Setubal, picked up 14,000 crates of ammunition and departed for Puerto Barrios, Guatemala. It actually docked in Puerto Cortés, Honduras; presumably, the weapons were then transshipped to the contra base camps along the Nicaraguan border. A

year later, however, North and Secord decided to buy the Erria for the network's exclusive use. Hakim was sent to Denmark, where he bought the ship. The Erria was registered as the property of Dolmy Business, S.A., a Panamanian corporation and a North-Secord network front.

More strange turns followed. On May 11 the Erria sailed to Larnaca, Cyprus, where North and Texas computer magnate H. Ross Perot were trying to ransom the U.S. hostages in Lebanon; the ransom attempt failed. In July the ship left Setubal with another load of munitions destined for Central America—then turned back to Europe. In early September the Erria transferred its load to another Danish freighter, the Iceland Saga, which ultimately delivered most of the load to a U.S. Army terminal in Sunny Point, N.C. The Erria, meanwhile, was headed for Cyprus again—and in October she appeared in Haifa, Israel. According to some reports, the Erria picked up a load of U.S.-made machine guns in Haifa, then set sail for the Persian Gulf in what was reportedly an attempt to trade the machine guns

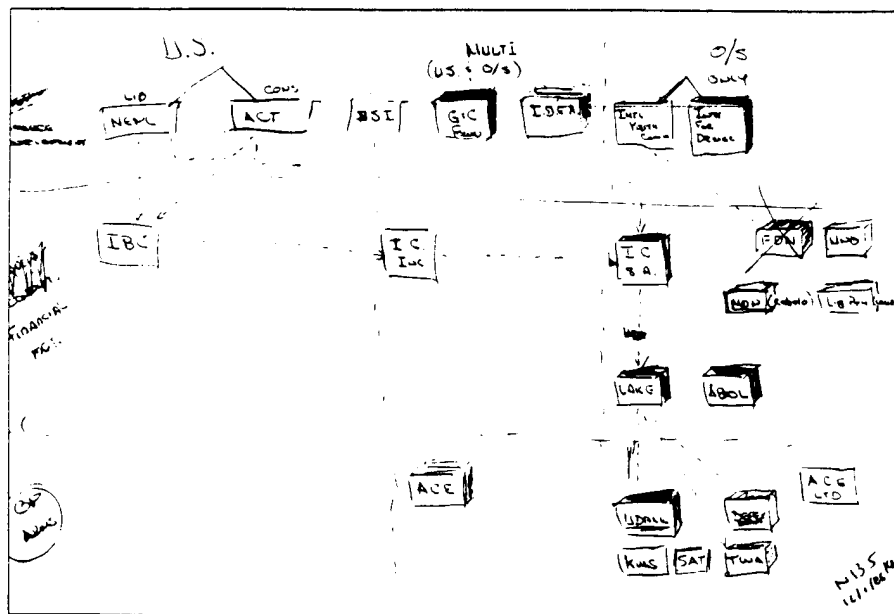
to the Iranians for a captured Soviet T-72 tank. NEWSWEEK sources said, however, that the T-72 was actually being offered by Iraq—but in any event the swap never took place. Other news reports say North also offered the Erria to the CIA as a floating radio station to broadcast propaganda against Colonel Kaddafi; the agency turned down his offer. The ship, sitting idle in the Danish port of Korsør, is now embroiled in a lawsuit between a Danish charter outfit run by an old friend of Clines and Compagnie de Services fiduciaires (CSF), yet another company that appears on the network organizational chart.

North himself described the network best in a computer message to Poindexter in July 1986—at a time when Congress was moving toward approval of the resumption of military aid to the contras. "We are rapidly approaching the point where the PROJECT DEMOCRACY assets in CentAm need to be turned over to CIA for use in the new program," he wrote. "The [total] value of the assets (six aircraft, warehouses, supplies, maintenance facilities, ships, boats,

leased houses, vehicles, ordnance, munitions, communications equipment, and a 6,520 [foot] runway on property owned by a PRODEM proprietary) is over \$4.5M [million]. All of the assets—and the personnel—are owned/paid by overseas companies with no U.S. connections."

The big bang: It was, as North noted in another context, "one hell of an operation"—but where did all the money come from, and where did it go? Investigators assume there must have been a diversion from the Iran arms sales, and there are many rumors about so-called third-country donations to Project Democracy. One is that the Saudi royal family kicked in something like \$31 million to North and Secord's secret kitty. Saudi Arabia's ambassador to the United States, Prince Bandar bin Sultan, denies the charge. But **NEWSWEEK** has learned the Saudis are themselves trying to trace the network money trail. North, Secord and Hakim are at ground zero in an ongoing investigation with enormous explosive potential—and there is every reason to believe the big bang is yet to come.

TOM MORGANTHAU with
RICHARD SANDZA, JOHN BARRY
and DAVID NEWELL in Washington.
FRED COLEMAN in Lisbon.
ERIK CALONIUS in Miami
and bureau reports



Global network?

Diagram found in North's safe suggests a flow chart